

HOUSE BILL REPORT

SSB 5616

As Reported by House Committee On:

Higher Education
Education Appropriations

Title: An act relating to connecting business expansion and recruitment to customized training.

Brief Description: Connecting business expansion and recruitment to customized training.

Sponsors: Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Shin, Kastama and Kilmer).

Brief History:

Committee Activity:

Higher Education: 3/6/09, 3/24/09 [DP];

Education Appropriations: 4/1/09, 4/3/09 [DPA].

Brief Summary of Substitute Bill (As Amended by House)

- Permits employer payments to the Customized Training Program (CTP) Employment Training Finance Account to be delayed for up to 18 months.
- Changes the requirement imposed upon participating CTP employers to increase employment from a set numerical target to "good faith" efforts.
- Requires training institutions to make good faith efforts to use trainers preferred by participating employers.
- Permits the State Board for Community and Technical Colleges to expend up to \$75,000 for training, marketing, and facilitation services to increase the use of the CTP.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 6 members: Representatives Wallace, Chair; Sells, Vice Chair; Carlyle, Driscoll, Grant-Herriot and White.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Without recommendation. Signed by 5 members: Representatives Anderson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Angel, Haler and Hasegawa.

Staff: Cece Clynch (786-7195)

Background:

The Washington Customized Training Program (CTP) was created in 2006 to provide training assistance to businesses locating new jobs or expanding jobs in the state. The State Board for Community and Technical Colleges (SBCTC) administers the CTP. Training is provided by community, technical, or private career colleges. Employers are expected to increase their employment in the state by an amount equal to at least 75 percent of the total number of trainees in the training program.

Under the CTP, the employer, the training institution, and the SBCTC execute a written contract. The SBCTC pays the training institution, up front, for the customized training. After training is completed, the employer and the training institution jointly submit a Trainee Report to the SBCTC and the employer immediately repays 25 percent of the costs of training into the Employment Training Finance Account. Repayment of the remaining 75 percent is spread over the next 18 months. No interest is charged. One year after training is completed, the employer must submit a Job Growth Report to the SBCTC.

After an employer makes the initial 25 percent payment to the SBCTC, the employer may take a state business and occupation (B&O) tax credit equal to half of that amount. As the employer pays off the remainder of the training costs, the employer may continue to take tax credits equal to 50 percent of the repayment amount. If the employer does not increase its employment by at least 75 percent of the total number of trainees, the employer must remit to the Department of Revenue (DOR) the value of any credits taken plus interest.

To date, 13 CTP contracts have been executed. The total amount of the contracts was \$423,452. At the time of contracting, the participating employers employed a total of 2,259 employees, planned to train a total of 400 trainees, and projected job growth of 500 positions. Five Job Growth Reports have been received and indicate a total of 218 new jobs. Two Job Growth Reports are currently due and six are not yet due.

A participating employer who takes the tax credit must complete and file a survey with the DOR regarding employment information. The DOR is charged with reporting job creation information to the Legislature in December 2011. The CTP expires on July 1, 2012.

Summary of Bill:

During 2009 and 2010, participating employers may delay payments due to the Employment Training Finance Account for up to 18 months.

The requirement that employers must increase employment in the state by an amount equal to at least 75 percent of the total number of trainees in their training program in order to avoid having to remit the value of any tax credits is removed. Instead, employers must make good faith efforts to hire from the pool of trainees in the employer's training program. The SBCTC is to determine whether good faith efforts have been made.

Training institutions must make good faith efforts to develop training programs using trainers preferred by the participating employer.

The SBCTC is charged with ensuring a seamless process toward participation in the CTP for those employers who have requested training under the Job Skills Program but have not been able to participate in that program due to a lack of funding.

Up to \$75,000 in the Employment Training Finance Account may be used by the SBCTC for training, marketing, and facilitation services to increase the use of the CTP.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Given today's economic situation, there is a need to delay repayment. This bill will help by allowing business employers time to recover economically. The customized training program works with manufacturers in the state to make them more efficient and competitive. A Ferndale orthotics firm provides a good example of the benefits of the program. This firm has 160 employees and manufactures orthotics for disabled children. It has taken advantage of computer technology so that measurements can be taken anywhere in the world and then transmitted to Ferndale, allowing the firm to expand worldwide. In the past, the firm would have had to establish a factory in other states and countries but this is no longer necessary. The firm's workforce needed to get training and education and this customized training program enables that sort of training. Employers can get the training for their workforces without worrying about immediate repayment of the cost of the training. Current law requires new job creation of 75 percent of the total number trained. This is a tough metric to meet, particularly if the employer wants to train the entire workforce. There is a need to grow and expand this customized training program. Allowing the SBCTC to expend up to \$75,000 for training and marketing will facilitate this growth through greater outreach. The changes proposed in the bill make sense and will make the program more accessible.

(Opposed) None.

Persons Testifying: Senator Shin, prime sponsor; Ron Newbry, Washington Manufacturing Services; Carol Melby, State Board for Community and Technical Colleges; Bryan Wilson,

Workforce Training and Education Coordinating Board; Amber Carter, Association of Washington Business; and Steve Lindstrom, Northwest Career Colleges.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 12 members: Representatives Haigh, Chair; Sullivan, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Carlyle, Cox, Hunter, Kagi, Probst, Quall, Rolfes and Wallace.

Minority Report: Without recommendation. Signed by 2 members: Representatives Anderson and Haler.

Staff: Debbie Driver (786-7143)

Summary of Recommendation of Committee On Education Appropriations Compared to Recommendation of Committee On Higher Education:

The Customized Training Program (CTP) must give preference to training that leads to transferable skills that are interchangeable among different jobs, employers, or workplaces.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The CTP began three years ago as an effort to prevent outsourcing and attract new industry to this state. To date, the CTP has served 13 employers and is currently training or has trained 400 employees. The CTP uses state resources wisely. The tax credit helps employers stretch their training dollars and, once the training costs are repaid this money is available to help more employers provide the training their employees need. The primary hurdle has been the current 75 percent requirement. The bill would change this to require good faith efforts. Funding should continue, although \$3 million is perhaps more than is needed. In 2000 there were 331,000 manufacturing jobs in Washington. In 2006 this number was 282,000. It is shameful to lose jobs due to a lack of training. By assisting employers in providing the training, the state not only gains new jobs but also benefits from the business and occupation and sales and use taxes paid by the employers. The wage for a manufacturing job is around \$51,000. Manufacturing employers prefer to train their current workers and thereby retain that experience. Other states are providing vast resources for retraining. Washington needs to remain competitive with other states. The economy has changed since the law was first passed. It is not so much a matter of attracting new employers as it is making every effort not to lose the ones that are already here. Thus far, all of the trainees in these programs have already been hired by the participating employers.

The fact that an employer must repay all of the training money tends to ensure that the employers hire those they have spent money training. There is a reporting requirement one year after completion of the training. So far, 218 new jobs have been reported. The average size of the training contract is about \$30,000, with a low of \$5,000 and a high of \$81,000. The CTP allows the employer to expand without initially tying up a lot of money in training. In today's economy, this is particularly helpful.

(Opposed) None.

Persons Testifying: Senator Shin, prime sponsor; Carol Melby, State Board for Community and Technical Colleges; and Ron Newbry, Washington Manufacturing Services.

Persons Signed In To Testify But Not Testifying: None.